

Service Date: May 14, 1993

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

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IN THE MATTER of MONTANA POWER)	
COMPANY'S Application Pertaining)	
to (a) Second Transition Year)	UTILITY DIVISION
Rates; (b) Unreflected Gas Cost)	
Tracking, and Recovery of)	DOCKET NO. 92.11.64
Interruptible Market Retention)	
Revenue Differential; and (c))	FINAL ORDER NO. 5667a
Clarification of the Gas)	
Transportation Adjustment Clause.)	

FINDINGS OF FACT

1. On July 31, 1992, Montana Power Company (MPC) filed before the Montana Public Service Commission (PSC) an application for authority to change rates for the second transition year of MPC's gas transportation plan approved in PSC Docket No. 90.1.1, Order No. 5474c (October 3, 1991). The application was formerly designated Docket No. 90.1.1 (continuation), but has since been consolidated into the above-entitled docket. MPC stated that the effect of the proposed rates was a 4.04 percent increase to core residential and core general service commodity rates and a 16.92 percent increase to the Sales Subscription Service (SSS) transmission level commodity rates. On August 18, 1992, the PSC granted interim approval of MPC's request (August 24, 1992, Notice of Commission Action, Docket No. 90.1.1) effective September 1, 1992.

2. On November 6, 1992, MPC filed before the PSC an application pertaining to the Unreflected Gas Cost Account Balance for the period ending August 31, 1992, projected gas cost tracking for the period ending August 31, 1993, and recovery of the Interruptible Market Retention (IMR) rate revenue differential as of August 31, 1992. MPC stated that the net effect of the filing increased the core residential and core general service commodity rates by 0.67 percent, the utility class commodity rate by 0.15 percent, the firm transportation

commodity rate (under ST-FTG-1) by 4.96 percent, the interruptible transportation commodity rate (under ST-ITG-1) by 2.43 percent, and the commodity rate at transmission level for SSS by 0.55 percent. Upon request of the PSC, MPC also provided testimony on reliability of gas service. On November 25, 1993, the PSC granted interim approval of MPC's requests in Interim Order No. 5667, Docket No. 92.11.64.

3. On February 8, 1993, MPC filed a request pertaining to the Gas Transportation Adjustment Clause (GTAC). This request was formerly designated Docket No. 93.2.7, but has since been consolidated into the above-entitled docket. MPC stated that the existing GTAC mechanism creates a disincentive to invest in new plant for interruptible transportation because all interruptible transportation revenues are credited to reduce the rates of core and firm transportation customers and do not contribute to recovery of any of the costs related to the investment.

4. MPC's GTAC filing proposed to offset against such revenues the total cost of service (expenses, taxes and return) for the related investments. Further, MPC proposed to similarly offset revenue generated by investments which produce both interruptible and firm transportation (FT) volumes. All applicable projects initiated within each tracking year will be aggregated and included for treatment in the calculation of the GTAC net Balance which will be proposed for amortization in the subsequent 12 months.

5. In subsequent general rate case filings, the capital investments in the projects being handled through the GTAC procedure and the revenues associated with these projects would be included in the test period rate base and revenues. Upon receiving a final order in such general rate case, the applicable offsets to the GTAC Balance would cease.

6. A Notice of Opportunity for Public Hearing was issued on March 11, 1993. Protests were received from William A. McKernan and Sisters of Charity of Leavenworth Health Services Corporation. Sisters of Charity originally requested a hearing, but later withdrew that request. The protests are noted and considered.

CONCLUSIONS OF LAW

1. The Montana Power Company is a corporation providing gas services within the State of Montana, and, as such, is a "Public Utility" within the meaning of Section 69-3-101, MCA.

2. The Montana Public Service Commission properly exercises jurisdiction over the Montana Power Company's natural gas utility operations under Title 69, Chapter 3, MCA.

3. The Montana Public Service Commission has provided adequate public notice of all proceedings, and an opportunity to be heard to all interested parties in this docket. Sections 69-3-303, 69-3-104, MCA, and Title 2, Chapter 4, MCA.

ORDER

THEREFORE, THE MONTANA PUBLIC SERVICE COMMISSION ORDERS THAT:

1. Rates approved on an interim basis for service on and after September 1, 1992, pursuant to the second transition year of MPC's gas transportation plan, are hereby made final.

2. Rates approved on an interim basis in PSC Interim Order No. 5667, for service on and after November 24, 1992, pursuant to MPC's annual Gas Tracking Filing, are hereby made final.

3. MPC's proposal on the GTAC procedure as set forth in Findings of Fact Nos. 4 and 5 are hereby approved. This approval shall be effective until August 31, 1994. If MPC desires that the approval should extend beyond the above-stated date, it must make a filing to that effect.

DONE IN OPEN SESSION at Helena, Montana, this 14th day of May, 1993, by a 3 to 0 vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

BOB ANDERSON, Chairman
DAVE FISHER, Commissioner
NANCY McCAFFREE, Commissioner

NOTE: Any interested party may request that the Commission reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.